

The Manufacturers Hanover Financial Digest

Weekly Commentary,
Selected Financial Data,
and Business Indicators

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The Big Apple's Good Times . . .

New York City's economy prospered in 1984. With more than 3.4 million jobs, the City's employment was at its highest level in a decade. A record 80,000 new jobs were created with employment gains across the entire spectrum of industries. While the largest chunk of these gains was in industries closely related to the City's position as a national and international center of business, finance and services, manufacturing—long an ailing sector of the City's economy—posted an increase of over 1,600 jobs as well, reversing a long decline in the City's factory jobs.

The City's prosperity last year was not limited to Manhattan. Although much of the post-1977 employment growth has been centered primarily in Manhattan and in large firms, in 1984 new jobs were created in all five boroughs, and small businesses participated in the City's job growth to a greater extent than in previous years.

According to the U.S. Department of Labor, small establishments—firms having fewer than 100 employees—provided two-fifths of the City's new private sector jobs last year. In contrast, small firms accounted for less than one-tenth of the new jobs created in the prior five years. This ability of small businesses to generate new jobs is particularly important since they account for 98 percent of all establishments in the City and 46 percent of all private sector employment. Moreover, small businesses are a big source of innovation, new designs, product lines and ideas. As these firms grow, they spin off a number of other activities, in turn generating more jobs and income in other sectors.

The composition of the City's employment growth has also changed from previous years. Between 1978 and 1982, banking, finance, insurance, real estate and other services provided the strongest increase in new job creation, but this is no longer true. The banking sector, for example, hired an average of 9,000 people annually from 1979 to 1982; in the past two years, however, New York City banks generated a total of only 2,500 new positions. On the other hand, employment in retail and wholesale trade which had shrunk almost 20 percent in the last

two decades, rebounded with an increase of more than 18,000 new jobs in 1984. At the same time, all levels of government once again began adding to their payrolls as the City's and the State's financial difficulties eased.

. . . Are Shared By All Boroughs . . .

As every commuter knows, New York City draws its labor force from the entire metropolitan region, encompassing 22 counties of New York, New Jersey and Connecticut. However, City residents benefited from the improved employment opportunities in 1984 to a greater extent than in prior years, when the bulk of new jobs was filled by commuters. Almost 50,000 more City residents found work last year, whereas in the two preceding years the number of residents working declined by almost 76,000. The 1984 increase in employment was spread throughout all five boroughs. Almost 12,000 Brooklynites found jobs as did 10,000 residents in Queens, 8,000 in Manhattan, 6,000 from the Bronx and 2,000 people living in Staten Island. As a result, the City's jobless rate fell to 8.9 percent of the labor force in 1984 from 9.4 percent a year earlier. It remained, however, well above the 7.4 percent unemployment rate for the country as a whole, and 271,000 New Yorkers were still unable to find employment.

Another contributor to New York City's well-being is the significant progress made in the reform of its fiscal practices. The City is now operating with its fifth budget balanced under the strictest of accounting rules. Indeed, New York City's current economic prosperity and fiscal stability stand in sharp contrast with the painful fiscal crises encountered in the mid-1970s. At that time, total employment declined at a rate of about 64,000 jobs a year, residents fled to the suburbs, and many businesses relocated their headquarters to areas where land, construction costs and tax rates were more attractive. New York was viewed as too big and too old to accommodate the demands of modern society and business. The unemployment rate surged to 11.2 percent in 1975—a trend which was not reversed even by the strong national recovery which followed the 1973-75 recession.

By 1977, the City's economy began to turn around in the areas where it had a competitive advantage.



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Some of the same factors that contributed to New York's economic problems began to be viewed as unique economic advantages. For example, the suburbs which had drained some of the City's population, became a huge marketplace within a radius of 60 miles—inhabited by 20 million people with a total buying power of some \$150 billion a year.

... And Most Industries

Fueled by the growth of the banking, securities and insurance industries, the City's economic resurgence began in earnest in the late 1970s. Since 1977, the number of private sector jobs in the City has risen

by 217,000. This is the strongest increase in the level of private sector employment during the two decades of available data.

These developments occurred in the face of the general belief that New York City is a very expensive place to do business. But despite its high costs, New York City ranks as the most desirable business center when compared with other large metropolitan areas across the country. A recent study conducted by a major real estate concern found that New York City offers business the greatest diversity of any large American city in a number of areas—markets, services, opportunities, as

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 2/27/85	\$ Change Since	
		Week Ago	Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies			
Owned Outright & RPs	165.961	— .308	+ 9.720
Loans to Depository Inst.	1.354	+ .360	+ .847
Float	1.632	+ .666	+ .095
Total Reserve Bank Credit	180.290	+ .628	+13.882
Treasury Deposits with			
Federal Reserve Banks	4.038	+ .219	— .377
Currency in Circulation	178.134	— .566	+11.138
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	116.415	— .730	— 2.976
Member Bank Reserves:	2/27/85		
Total Reserves Held	39.635	— .516	+ 3.666
Excess (Deficiency)	.820	— .172	+ .099
Net Free Reserves	.223	— .471	— .116

		% Change Since	
		Three Months Ago*	Year Ago
Monetary Aggregates †			
M1 (2/18/85)	569.3	±	±
M2 (January '85)	2,399.4	+ 13.9	+ 9.0
M3 (January '85)	3,027.1	+ 13.9	+ 11.3
Domestic Nonfinancial Debt (4th Q'84)	5,970.8	+ 14.4	+ 13.6

†Seasonally adjusted.

* Seasonally adjusted annual rate.
‡ Data unavailable due to revisions.

New York Money Market

Offering Rates 3/1/85	3 Months	6 Months	1 Year
± U.S. Treasury Bills	8.54%	8.81%	8.97%
* Federal Agencies	8.60	9.04	9.90
* Project Notes—Taxfree (46% Taxable Equivalent)	7.96	8.33	8.70
Negotiable Time CDs			
Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	9.15	9.85	10.60
± Finance Company Paper—Prime		±* Bankers' Acceptances	
5- 14 days	8.55%	Apr.	8.60%
15- 29 days	8.60	May	8.75
30- 59 days	8.80	Jun.	8.90
60- 89 days	8.90	Jul.	9.20
90-179 days	9.08	Aug.	9.30
180-239 days	9.30	Sep.	9.20
240-270 days	9.40		
± Industrial Paper—Prime		† Federal Funds	
30- 89 days	8.70%	Effective Rate	8.75%
90-120 days	8.75		
± Discount basis.		* Subject to availability.	† Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	4th Q'84	\$ 3,764	\$ 3,695	\$ 3,432
Gross National Product (1972 Dollars)*	4th Q'84	\$ 1,665	\$ 1,645	\$ 1,573
Percent Change, Annual Rate	4th Q'84	4.9	1.6	5.9
Change in Consumer Prices*	Jan '85n	2.4%	3.6%r	7.2%
Change in Producer Prices*	Jan '85	0.0%	2.4%	8.4%
Civilian Employment (Thousands of Persons) †	Jan '85	106,391	106,273	103,294
Unemployment as % of Civilian Labor Force †	Jan '85	7.4%	7.2%	8.0%
Personal Income*	Jan '85	\$ 3,130	\$ 3,114	\$ 2,897
Leading Indicators Composite Index (1967=100) †	Jan '85n	166.7	163.9r	164.5
Industrial Production Index (1967=100) †	Jan '85	166.6	165.9	158.5
Net Change in Consumer Installment Credit †	Dec '84	\$ 6.95	\$ 7.95	\$ 5.78
U.S. Merchandise Trade Balance †	Jan '85n	—\$ 10.29	—\$ 8.03r	—\$ 9.51
Plant and Equipment Expenditures*	1st Q'85	\$337.85(a)	\$321.40(a)	\$293.15
Private Housing Starts (Thousands of Units)*	Jan '85	1,833	1,595	1,933
New Construction Expenditures*	Jan '85n	\$ 324.9	\$ 318.4r	\$ 280.9
Total Business Inventories †	Dec '84	\$ 566.5	\$ 565.0	\$ 514.3
Total Business Sales †	Dec '84	\$ 416.9	\$ 414.5	\$ 395.7

*Seasonally adjusted annual rate.

†Seasonally adjusted.

n—Newly reported figure.

r—Revised. a—Anticipated.

well as an incomparable variety of entertainment and a comprehensive transportation system.

The dramatic improvement in employment was mirrored by other key developments in the City. There is a continuing boom in the office construction and for good reason: Over 27 million square feet of office space were leased in 1984, 32 percent more than in the previous year. The midtown and downtown Manhattan areas rank first and second, respectively, as the nation's tightest office space markets.

What is more, the growth of air travel—a result of

the relative decline in its costs because of declining oil prices and the deregulation of the air transportation industry—has been a boon to the region's airports. Total air passenger traffic passing through the Metro-area airports increased by 17 percent in the first three quarters of 1984 compared with the same period in 1983. The City hosted almost two million visitors from abroad who, together with American tourists, helped to push hotel occupancy rates to 75.1 percent in 1984 from 72.3 percent a year earlier and to boost sales by City retailers from \$23.9 billion in the January-November period in 1983 to \$25.8 billion in the comparable period of last year.



Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since	
		Week Ago	Year Ago
Time Deposits of \$100,000 or more			
Weekly Reporting Banks			
Nationwide (2/13/85)	156,179	+ 70	+14,526
New York City (2/20/85)	33,371	+ 232	+ 5,010
Commercial Paper (2/20/85)	248,007	+ 2,412	+57,382

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans			
	Latest Week	Change Since	
		Week Ago	Year Ago
Weekly Reporting Large Commercial Banks			
Nationwide (2/13/85)	252,130	+ 201	+ 27,384
New York City (2/20/85)	61,525	- 426	+ 3,519
Total Loans and Leases Gross Adjusted			
	Latest Week	Change Since	
		Week Ago	Year Ago
Nationwide (2/13/85)	655,612	- 34	+ 67,525
New York City (2/20/85)	141,205	- 264	+ 8,229

Financial Markets

	Friday 3/1/85	Change Since	
		Week Ago	Year Ago
U.S. Governments, Closing Yields:			
90-Day Bill†	8.85%	+ .19	- .30
180-Day Bill†	9.34	+ .32	+ .09
Longest Bill†	9.75	+ .33	+ .45
Recent Issues:			
10s 2/28/87	10.70	+ .33	
10 ⁵ /8s 12/31/88	11.35	+ .26	
11 ¹ /4s 2/15/95	11.93	+ .17	
11 ¹ /4s 2/15/15	11.90	+ .20	
Municipals:			
Bond Buyer—20 Bond Index* (2/28/85)	9.71%	-0-	- .15
Blue List Total (\$ Million)	\$1,839	- \$133	+ \$ 449
30-Day Visible Supply (\$ Million)	\$3,033	+ \$359	+ \$ 768
Total	\$4,872	+ \$226	+ \$1,217
Corporates:			
Moody's Aa Composite (2/28/85)	12.76%	+ .15	- .23
30-Day Visible Supply (\$ Million)	\$1,490	+ \$145	- \$1,650
Stocks:			
Dow-Jones Averages:			
Industrials	1,299.36	+ 23.52	+ 127.88
Transportation	635.30	+ 10.19	+ 114.72
Utilities	148.80	- .87	+ 19.42
65 Stocks	528.11	+ 7.46	+ 66.17
Standard and Poor's 500 Stocks	183.23	+ 3.87	+ 23.99
N.Y.S.E. Composite Index	106.04	+ 2.03	+ 14.37
N.Y.S.E. Avg. Daily Vol. for Week (000's)	110,586	+ 9,006	+ 15,848

International Rates

	Friday 3/1/85	Week Ago
EURODOLLAR DEPOSIT RATES (bid)		
Overnight	8.63%	8.50%
1 month	8.88	8.81
3 month	9.50	9.31
6 month	10.13	9.81
1 year	10.81	10.56
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	11.75%	11.65%
Long Term (7 to 15 yrs.)	11.90	11.75
FOREIGN EXCHANGE SPOT RATES		
New York Opening	U.S. \$	Currency
(3/1/85)	Equivalent	Per U.S. \$
Belgium	.01486	67.3000
Canada	.7214	1.3861
Denmark	.08368	11.9500
France	.09775	10.2300
Germany	.2985	3.3505
Italy	.0004802	2082.50
Japan	.003830	261.08
Mexico	.004167	240.00
Netherlands	.2639	3.7895
Switzerland	.3490	2.8650
U.K.	1.0712	.9335

* 46% Taxable equivalent 17.98%.

† Bond equivalent.



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